

**IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 19, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, April 19, 2012 at Ameristar Casino in Council Bluffs, Iowa. Commission members present were Toni Urban, Chair; Jeff Lamberti, Vice Chair; and members Carl Heinrich, Andrea Rivera and Greg Seyfer.

Chair Urban called the meeting to order at 8:30 AM and requested a motion to approve the agenda. Commissioner Rivera moved to approve the agenda as presented. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban called on Mayor Pro-Tem Matt Walsh, who welcomed the Commission to Council Bluffs on behalf of Mayor Tom Hanafan and the citizens of the community. He noted that Ameristar and Harrah's, formerly Harvey's, started construction on their respective facilities in 1996. Mayor Pro-Tem Walsh stated that Council Bluffs at that time could have been described as a sleepy Iowa river town dependent upon the railroad and packing plants; now it is a vibrant tourist destination with a wide variety of community attractions. He advised that the three casino properties have played a major role in the metamorphic change. He provided the following figures showing how casino-related expenses that are converted to local revenues from all three facilities impact the function of the local government and charitable organizations: \$8.5 million in real estate taxes; in excess of \$2 million annually in gaming taxes to the city and county; and admission fees add another \$2 million annually to the city's general fund budget. He noted that each facility has their own hotel accommodations that contribute hotel lodging revenue; and are responsible for the profitability of multiple other hotel properties. Mayor Pro-Tem Walsh advised that the city's finance department estimates that the ripple effect of the city's revenue associated with gaming is \$2.3 million annually. He noted that the casinos pay sales tax on local goods and services, and indirectly pay wages that are often used for local purchases. Local vendors benefiting from sales to the casinos make purchases and pay sales taxes. The city finance department estimates the casinos directly and indirectly generate \$7.8 million annually in sales tax revenue. Additionally, Ameristar and Harrah's pay between \$7-8 million annually in contracted license fees to the Iowa West Racing Association, which has been able to distribute over \$275 million through grants to various non-profit organizations throughout southwest Iowa since its inception. Mayor Pro Tem Walsh stated that casino management and many employees serve on a variety of non-profit boards and volunteer their time to numerous community events. He thanked the casino management and the Iowa Racing & Gaming Commission.

Chair Urban moved to the approval of the minutes from the March 8, 2012 Commission meeting. Commissioner Rivera moved to approve the minutes as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban called on Brian Ohorilko, Administrator of IRGC, who introduced the following Commission employees assigned to the Council Bluffs properties: Gaming Representatives (GRs) Lynette Masker and Bryan Crowdy at Ameristar; GRs Max Zaragosa and Jeff Rethmeier at Harrah's; GRs Carol Fajen and Cory Ostermeyer at Horseshoe Casino; Steward Richard Woodsmall at Horseshoe; and Licensing Assistants Julie Petersen, Linda Baxter and Gina Goos. Mr. Ohorilko thanked them for their hard work on behalf of the Commission.

Mr. Ohorilko then advised that there would be no Commission meeting in May and that the June meeting would be held at Stoney Creek Inn in Johnston on June 7th, with submissions due in the Commission's office by May 23rd.

Mr. Ohorilko provided the following dates and locations for Commission meetings for Fiscal Year 2013:

<u>DATE</u>	<u>LOCATION</u>
July 12, 2012	Prairie Meadows, Altoona
August 23, 2012	Riverside Casino, Riverside
September 27, 2012	Hotel Julien, Dubuque
November 15, 2012	Stoney Creek Inn, Johnston
January 10, 2013	Prairie Meadows, Altoona
March 7, 2013	Stoney Creek Inn, Johnston
April 18, 2013	Harrah's, Council Bluffs, IA
June 6, 2013	HGI Lakeside, Osceola

He noted that the schedule is similar to years past.

Chair Urban called on Mr. Ohorilko with regard to the recognition of Chair Toni Urban and Commissioner Andrea Rivera as their terms are ending and they were not reappointed to the Commission. Mr. Ohorilko stated that he was grateful for the opportunity to get to know and work with Chair Urban and Commissioner Rivera throughout their time with the Commission. He noted that all Commission members face unique challenges, and that they were no exception – whether they were on a long bus tour throughout the state visiting proposed gambling structure sites, working through various purse agreements or reading Commission related packets and e-mails after spending a long day at their full-time job or other community-related duties. Mr. Ohorilko stated that Chair Urban and Commissioner Rivera always performed their due

diligence and served the citizens of Iowa with the highest of integrity and character. He called Commissioner Rivera to the podium and presented her with a plaque which read: In appreciation of your service to the Iowa Racing & Gaming Commission from May 1, 2009 through April 30, 2012.

Commissioner Rivera stated that it has been an honor and a privilege to serve on the Commission and with her fellow Commissioners. She also acknowledged the guidance she received from former Commission members Kate Cutler and Paul Hayes when she was first appointed to the Commission. Commissioner Rivera thanked the staff for their excellent direction and help when she had questions.

Mr. Ohorilko called Chair Urban to the podium and presented her with a plaque which read: In appreciation of your service on the Iowa Racing & Gaming Commission from May 1, 2006 through April 30, 2012 and as Chair of the Iowa Racing & Gaming Commission from July 29, 2010 through April 30, 2012.

Chair Urban stated that it has been an honor to serve on the Commission and the State of Iowa. She thanked the general managers, the attorneys, the casino staffs, her fellow Commissioners and Commission staff for making it a pleasant experience. Chair Urban noted that the State is dependent upon the revenue from the casinos and racetracks; but stated that she feels a sense of pride when the non-profits appear before the Commission and report on what they have been able to accomplish within their communities.

Chair Urban called on Isle of Capri (IOC) for an update on the negotiations regarding the sale of the Rhythm City Casino in Davenport. Stacy Hall, IOC's outside legal counsel, advised that IOC has continued the process of negotiations with proposed purchasers of the property, and is working diligently to reach an agreement for the sale of the property. She stated that IOC hopes to be able to submit a definite purchase agreement as soon as possible. Ms. Hall advised that she will keep the Commission apprised of any developments.

Chair Urban called on Penn National (Penn)/Missouri River Historical Development (MRHD) for an update on negotiations on a new operating agreement. Tom Burke, Vice President (VP) of Regional Operations for Penn, introduced Carl Sottosanti, VP of Legal Affairs, and Lance George, General Manager of the Sioux City facility. Mr. Burke stated that the parties have been working on this issue since last fall; and that Penn has spent a significant amount of time evaluating a number of sites for a land-based facility. He advised that based on strong requests from the city and MRHD, they have narrowed their focus to one downtown location; Penn is committed to that including all of the challenges and stresses that go along with developing a downtown location. Mr. Burke stated that Penn has spent a significant amount of money on pre-development and planning over the last several months. In late March they developed some concept details and presented a power point plan to MRHD and the city. He noted that subsequent to the presentation, the city has had some questions and Penn is currently awaiting a response from the city. Also, at the request of the city, Penn delivered and presented two term sheets last week to

the city and MRHD. Mr. Burke advised that Penn management at all levels is aware of the situation and believes that a resolution can be reached by the June meeting. He called on Mr. Sottosanti to provide an overview of the proposed land-based facility.

Mr. Sottosanti thanked the Commission for their patience in dealing with the complex situation in Sioux City. He concurred with Mr. Burke's comments that a resolution can be achieved by the June meeting as all parties – the city, MRHD, Penn, and the citizens of Sioux City – have a tremendous amount at stake. He expressed his belief that the parties have made tangible progress since the last time they were before the Commission, and provided the following information regarding location, what the new facility would look like, the cost and proposed opening date.

Location: He noted that Penn was initially skeptical about the possibility of a downtown site, but now believes a downtown site will be a win-win situation for all parties involved. A downtown site has been selected and Penn has made substantial progress on the design of the proposed facility.

Design: Hollywood-style branded facility that represents Penn's upscale brand, which they feel will fit in very nicely in Sioux City. The proposed facility will have 110,000 square feet of gaming entertainment space, 750 slots and 25 tables, 3 dining areas including a steak house, and based on discussions with MRHD, a multi-entertainment venue. The facility will also have a gift shop and a parking garage with approximately 1,500 spaces.

Cost: Mr. Sottosanti advised that the current estimate for the proposed project is \$100 million; which he believes is a significant investment on Penn's part.

Timing: Mr. Sottosanti stated that Penn is prepared to start the project within 60 days of receiving the necessary approvals; and believes that the project can be completed within 18 months from commencement (groundbreaking).

Will the project hurt the city financially: Mr. Sottosanti stated that he believes the answer is no; Penn feels the most recent proposal makes the city whole and creates some new beneficiaries because Penn will no longer pay the docking fee that is 3% of Adjusted Gross Revenues (AGR) that goes solely to the city, but will be paying property taxes, which are divided between the city, county, and schools. He stated that Penn has also proposed a financial formula which they believe makes the city whole.

MRHD: Mr. Sottosanti stated that Penn is in discussions with them regarding the economic package, however, Penn expects the new facility to increase revenue by approximately 20%, which should benefit everyone – MHRD, Penn and the city.

Mr. Sottosanti stated that the above is not a done deal; that there are still some real challenges ahead: development of a downtown site, roads, and acquisition of all the necessary properties. It is his opinion that significant progress has been made on this

front. He is aware of the fact that many believe there are significant open items on the table with regard to economics, but reiterated Penn's belief that the issues can be resolved in a timely manner. Mr. Sottosanti advised the Commission that Penn's balance sheet enables them to get the project done without relying on the volatile capital markets.

Mark Monson, President of MRHD, introduced Ron French, VP of MRHD; David Bernstein, a MRHD board member; and Bob Scott, the mayor of Sioux City. Mr. Monson noted that the parties are running out of time; that MRHD started talks with Penn in July 2011 and have been meeting and communicating with a variety of individuals representing Penn on a somewhat regular basis since that time. He stated that some of Penn's representatives have used tactics that MRHD felt were threatening and overbearing. He advised that MRHD feels little progress has been made over the previous eight months, and they are frustrated. Mr. Monson stated that Penn's last offer, which was to be their last and best offer, actually decreased the amount offered to MRHD previously. He stated that MRHD has looked at what the other non-profit organizations are receiving and have seen what is possible and the offer is nowhere close. Mr. Monson stated that MRHD will not accept something subpar for the citizens of the county that they will have to live with for decades, or even a century, which has been proposed. It is his opinion that over the last eight months MRHD has been bullied. He noted that MRHD offered an extension of the current contract to Penn during the December board meeting, which Penn rejected. Mr. Monson stated that the purpose of extending the current Operating Agreement to March 2013 was for the purpose of maintaining the 325 jobs; he indicated that MRHD does not feel responsible for this issue. Mr. Monson stated that Penn's decisions will determine whether or not the jobs remain viable. He stated that the MRHD board is not optimistic at this point, and requested some direction. Mr. Monson turned the floor over to Mayor Bob Scott.

Mayor Scott advised that this issue was so important to him that he elected to stay home and attend the Commission meeting rather than attending a long-standing steak dinner that the city has held in Washington, D.C. He stated that the city has been willing to negotiate with Penn and has tried to make staff available for meetings. Mayor Scott stated that he asked Penn to submit a final and best offer last week; however, that shows that once the Tax Increment Financing (TIF) component expires, the city would receive somewhere between \$200,000 - \$600,000 less revenue than they are receiving today. He questioned why he and the city council would put the city at risk on \$25 million of TIF bonds and take the facility off the river for less money; they would be better served to leave the casino at its current location. Mayor Scott stated that the city council prefers to have the facility downtown. He noted that they are concerned about the loss of jobs, as anyone would be. Mayor Scott stated that he ran on a platform of creating economic development; that it is his job to try and work with them and make Sioux City a community where they can grow their business. He stated that as mayor he would do whatever he could to save the 325 jobs. Mayor Scott pointed out that the State of Iowa has given the Commission a lot of authority. He stated that the city is done negotiating; they have done their part. Mayor Scott advised that it would be irresponsible for city leaders to accept a proposal that would provide less revenue 20 years from now than what

they receive today. He requested the Commission's assistance in moving the situation off dead center. He reiterated that the city is done negotiating; stating that is all five votes of the city council. Mayor Scott stated that the council feels they have done what they needed to do, and are done negotiating with Penn. He indicated that if MHRD wanted to continue to negotiate with Penn, that would be their business but the city would not be a participant.

Mr. Sottosanti stated that as a matter of course Penn does not think it is a good idea to negotiate publicly or to ask for the Commission's intercession at this point. Penn is of the opinion that civil minds can handle the situation behind closed doors. He indicated that he would not address some of the previous statements made, but indicated that he did not agree with some of the most offensive comments made. Mr. Sottosanti requested that the Commission judge people by their actions, not their words. He advised that Penn has put real money at risk; nor did they initiate a lawsuit – they were the recipient of a lawsuit. He reiterated Penn's belief that the parties can come to an agreement.

Chair Urban called for any questions from the Commission. Commissioner Seyfer stated that he had some questions for MHRD, and asked if they had seen the plans referred to by Mr. Sottosanti. Mr. Monson answered in the affirmative. Commissioner Seyfer asked for MRHD's thoughts on those plans. Mr. Monson stated that there are some obstacles, but the plans are not all bad. Commissioner Seyfer noted that Penn has presented a plan calling for a \$100 million investment; he asked what the obstacles were. Mr. Monson advised that there are some street and location obstacles and a few other things but none of them are sufficient to kill the plan. Commissioner Seyfer asked if the overall plan as proposed could meet with MRHD's criteria. Mr. Monson again answered in the affirmative, but indicated he was not sure it met with the city's criteria.

Commissioner Heinrich asked if the main issue is an economic issue. Mr. Monson indicated it was from MRHD's standpoint. Commissioner Heinrich asked if Penn concurred with that statement. Mr. Sottosanti indicated his agreement.

Commissioner Lamberti stated that based on what he has heard he is not overly optimistic that the parties will reach an agreement. He concurred with previous statements that all parties, including the Commission, are frustrated with the situation and concerned about the jobs. He asked a representative from Penn what the company's intention is if there is no agreement by the deadline.

Mr. Sottosanti stated that was a good question. He advised that right now their intent is to negotiate in good faith until the deadline. He indicated that if the parties are close to a resolution at the time of the deadline, Penn would entertain any commercially reasonable alternative. If an agreement is not eminent, Mr. Sottosanti stated that he did not know what Penn would do.

Commissioner Lamberti indicated that was part of his concern; that the deadline is six weeks away from a possible closure and potential loss of jobs. He encouraged all parties

to continue to negotiate. Commissioner Lamberti advised that he was not speaking on behalf of the Commission, just for himself. He suggested that it may be necessary for the Commission to ask all parties to bring forth a Plan B or Plan C if an agreement cannot be reached. Commissioner Lamberti stated that he is going to do everything he can to prevent the loss of jobs. He stated that if the parties reach a stalemate, the Commission has to be prepared to entertain other options in order to move forward and that it is something all parties should keep in mind as the deadline approaches. Commissioner Lamberti again reiterated that he is not speaking for anyone but himself. He does not believe the Commission is going to let the situation run up against the July 7th deadline and do nothing. He encouraged all parties to reach an agreement fairly quickly, and if not, then they need to rapidly move to other ideas and plans.

Mr. Sottosanti advised that Penn shares the Commission's concern regarding the jobs. He stated that Penn will heed Commissioner Lamberti's admonition to negotiate and will prepare alternative proposals in the event an agreement cannot be reached.

Commissioner Rivera noted that while the jobs are important, this situation is not just about the jobs. Another important factor is the revenue to the State of Iowa which will be lost if the facility is shut down. She also encouraged the parties to move forward and resolve this matter. Commissioner Rivera concurred that the Commission has been dealing with this situation since July 2011 and that the Commission has been very patient but it is now up to the parties to get it resolved.

Chair Urban noted that this not been the year of compromise, but feels the Commission is looking at a problem that could potentially get worse. She encouraged compromise on everyone's part in an effort to reach an agreement.

Commissioner Seyfer asked the parties if they were negotiating while they were all present for the Commission meeting. Mr. Sottosanti advised that there had been some discussions this morning, but that the negotiating and compromise is largely a one-way street.

Mr. Bernstein stated that he has been the key point of contact with Steve Snyder from Penn. He noted that he and Mr. Sottosanti have had a couple of conversations; and that Mr. Sottosanti's characterization was a great over-simplification of the issue. Mr. Bernstein advised that MRHD has done its due diligence and looked at the rates the various non-profit organizations around the state are receiving, as well as what the facilities look like. He stated that when MRHD says "not enough", they are stating that what has been offered to Sioux City as a community does not compare to Emmetsburg or Waterloo. Sioux City has been offered slightly just over half of what the other communities receive on a percentage basis. Population-wise, Mr. Bernstein indicated that Sioux City is just as strong as Waterloo, if not stronger. He indicated the MRHD board is wondering why they should have to accept significantly less than the other communities, or just the statutory minimum. Mr. Bernstein stated that MRHD is appreciative of the offer of a \$100 million facility, which they feel is the right amount of

investment for the market, but it also requires a substantial investment from the city to make that happen. He indicated that the offer from Penn needs to be something that further benefits and puts MRHD/Sioux City on a par with the other communities in Iowa with land-based casinos that have been built in the past five years. Mr. Bernstein stated that when MRHD says “not enough”, it is not that they are being arbitrary, but is the result of a significant amount of due diligence.

Commissioner Seyfer stated that he asked a simple question: All the parties are present for the meeting, are negotiations being held or is it just posturing? Mr. Bernstein stated that there is no posturing taking place; that he is the main point of contact between MRHD and Penn. He stated that there have been weekly phone calls and conversations for many months. He advised that no negotiations are taking place today. Mr. Bernstein stated that MRHD asked Penn for their best and final offer; and without any kind of guidance or direction from IRGC, he suggested that maybe MRHD just needs to be told to take the 3% and go away. He indicated that if that was the case they would do so, albeit reluctantly, but intend to work as hard as they can in the meantime to benefit the community. Mr. Bernstein noted that a land-based casino in Sioux City would also benefit the state as Penn’s projections show an increase in projected revenue from \$60 million to \$78 million. He stated that his conversations with Mr. Snyder last week related specifically to the job issue. He advised that MRHD has continued to offer an extension of the current operating agreement; however, Penn continues to refuse to accept an extension. Mr. Bernstein stated that he believes they are rejecting the extension as it greatly improves their negotiating position. He stated that without the extension, and the jobs being held as hostage, it puts a lot of pressure on the non-profit board. Mr. Bernstein stated that when he brought up the agreement extension again last week, Mr. Snyder informed him that Penn would not be a part of their own lynching; and if an agreement is not going to be reached, that they need to notify the employees very soon. Penn has to provide the employees with a 60-day notice if they going to close the facility.

Chair Urban, noting that Mr. Bernstein had referenced the operating agreement for Waterloo, reminded him that Waterloo was a very unique situation; that there were three different companies competing for a license in that community. Mr. Bernstein indicated he was aware of the circumstances, but stated that MRHD did not understand why they don’t have a similar scenario. Additionally, he pointed that Emmetsburg has a market share that is 20% of Sioux City’s, and that non-profit is receiving 6% plus property taxes. Mr. Bernstein stated there are many cases of newer facilities that have been built in the last five years that receive significantly higher rates for the community than the 3% that is statutorily provided for, and feel they should not have to settle for the statutory minimum for their community.

Mayor Scott questioned why he as mayor should put the city at risk for \$25 million and give up 4.5 acres of prime city property for a deal that will provide less revenue to the city 20 years down the road than it currently receives. He stated that with the current proposal, he would opt to leave the casino operation on the river. He indicated that the

current offer from Penn does not make economic sense for the city. Mayor Scott stated that city would have to cover \$25 million of the proposed \$100 million investment.

Chair Urban moved to the next agenda item and called on Prairie Meadows Racetrack and Casino (PMR&C). Ann Atkins and Derron Heldt, Vice President of PMR&C and Director of Racing respectively, were present to address the agenda items. Ms. Atkins advised that Advanced Deposit Wagering (ADW) went live on Monday afternoon (April 16th). She indicated ADW was the result of a good effort between IRGC staff, the HBPA and PMR&C staff, who met multiple times over the last year. Ms. Atkins stated that it was great to have ADW up and running.

Chair Urban called on Mr. Heldt for an update on the upcoming live race meet. Mr. Heldt advised that the 67-day thoroughbred season starts the following day with a post time of 6:30 PM. He indicated there are 950 horses on the backside; they have a capacity of 1,350. He stated there are a number of horses that are being transported from other racetracks that feed into PMR&C's racing program. Mr. Heldt advised that 16 new trainers are coming to the meet this year, some of them have been nationally recognized – an Eclipse Award winner, number of wins or the amount of money won. These trainers are bringing in 270 new horses that have never raced at PMR&C.

Mr. Heldt mentioned a couple of significant events that will be taking place at PMR&C during the course of the live racing season:

- The National HBPA Conference, which will be held in conjunction with the Festival of Racing on June 29-30. He stated that this conference was made possible due to the addition of the hotel.
- The Quarter Horse Challenge Races that will be held on October 27th. This will be an international event with horses from South America and Canada.

Mr. Heldt stated that PMR&C is continuing to put money toward capital improvements that will benefit horse racing. During the recent off-season, PMR&C made extensive renovations in the test barn area, which had not been done since the facility opened. Mr. Heldt believes it is one of the premier test barn facilities in the country.

Chair Urban moved to PMR&C's request for approval of a remodeling project. Ms. Atkins stated that PMR&C has received approval from Polk County to proceed. She requested the Commission's approval for the casino expansion, which will add additional slot machines to the floor. The number of slots will increase from 2,000 to 2,250.

Chair Urban asked about the cost of the project and how it would be paid for. Brian Wessels, Director of Finance, advised that PMR&C would be using funds available through the current line of credit. The remodeling project is projected to cost approximately \$9.8 million. Chair Urban clarified that amount would be in addition to the \$5 million borrowed for the hotel. Mr. Wessels indicated she was correct.

Hearing no further comments or questions concerning the remodeling request, Chair Urban requested a motion. Commissioner Heinrich moved to approve the remodeling request as submitted by PMR&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-40)

Chair Urban asked Ms. Atkins how the addition of the hotel had impacted the parking situation at the facility. Ms. Atkins noted that the hotel is ramping up slowly so there have not been any parking issues so far. She indicated that if parking issues do arise, it will be the 4th of July and the ostrich/camel races. Chair Urban asked if she had any idea when they might build the parking garage. Ms. Atkins advised that it is still on their To Do List.

Chair Urban moved to the contracts submitted by PMR&C. Ms. Atkins presented the following contracts for Commission approval:

- Chesnut Sign – Sign Manufacture and Installation
- Johnson Brothers – Wine and Bar Mixes
- Karl Chevrolet – Purchase of Cars, Trucks and Parts
- MicroEdge, LLC – Grant Application Software License and Maintenance
- Roberts Communication Network, Inc. – Data Communication Services
- Roberts Communication Network, Inc. – Streaming Audio-Visual and Digital Archiving Services
- The Weitz Company – General Contractor – Various Projects

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-41)

Chair Urban moved to the contract approval portion of the agenda, and called on Horseshoe Casino/Bluffs Run (HC/BR). Janae Sternberg, Director of Finance, presented a contract with Franklin Press, a direct marketing provider.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Rivera moved to approve the contract as submitted by HC/BR. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 12-42)

Chair Urban called on Mystique Casino. Roger Hoeger, Assistant General Manager, presented a contract with Cottingham & Butler Insurance for property and casualty insurance.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Mystique.

Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 47-43)

Chair Urban called on Isle of Capri Marquette (IOC Marquette). No one was present from the facility. The contract was with Multimedia Games for the purchase of slot machines and parts, and lease agreements.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Rivera moved to approve the contract as submitted by IOC Marquette. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 47-44)

Chair Urban called on HGI Lakeside. Bob Thursby, General Manager, submitted a contract with Garner Printing for marketing services.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contract as submitted by Lakeside. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 47-45)

Chair Urban asked how construction of the new hotel was progressing. Mr. Thursby advised they are 4 weeks plus one day from taking possession; the grand opening will be held on Memorial Day weekend.

Chair Urban asked if the casino was seeing a lot of new business as a result of the Pilot project. Mr. Thursby answered in the affirmative, noting that approximately 70 trucks overnight at the Pilot facility. He stated that the casino's truck parking lot is still full as well, so the Pilot facility is generating additional business.

Commissioner Rivera asked Mr. Thursby what kinds of events are planned for the grand opening on Memorial Day weekend. Mr. Thursby stated there will be a ribbon cutting with local dignitaries and press. They will bring in their VIP Players for approximately four nights. He advised that the real culmination of the project will be on September 1st when the remodeling of the existing 60 hotel rooms is completed and the opening of the amphitheater. Commissioner Rivera asked if there were any plans for special entertainment. Mr. Thursby indicated there is none planned for Memorial Day. He indicated there will be entertainment booked for when the amphitheater is opened, but the contracts have not yet been signed.

Chair Urban called on Ameristar Casino. Monty Terhune, General Manager, presented the following contracts for Commission approval:

- ASI, LLC d/b/a Ameritex Services – Laundry Services
- Seminole Retail Energy Services – Provide Natural Gas Transportation to ACCBI property

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Ameristar. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-46)

Chair Urban called on Harrah's. Ms. Sternberg presented a contract with Franklin Press, a direct marketing provider.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Harrah's. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-47)

Chair Urban called on Diamond Jo. Todd Moyer, General Manager, presented a contract with AJR Equities, Inc. for event merchandise for giveaways. He advised that Foreigner will be performing at the property Memorial Day weekend, and they are giving away a Dodge Challenger.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contract as submitted by Diamond Jo. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-48)

Chair Urban called on Diamond Jo Worth (DJW). Kim Pang, General Manager, submitted a contract with USA Security for the purchase of CCTV equipment to replace the current system.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by DJW. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-49)

Chair Urban called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Purchase a& Installation of 12 Premium Viridian Wide Screen Slot Machines w/Gaming Software
- Mediacom Iowa LLC – Commercial Family Cable Video in Casino & Coaches Corner Sports Bar
- Mediacom Iowa LLC – Mediacom CATV for Hotel Rooms
- Myers-Cox Co. – Purchase of Cigarettes & Tobacco Products for Resale
- Pitney Bowes – Lease for Postage Meter System
- Heartland Retirement Plan Services –Employer and Employee Annual Contributions to Wild Rose Clinton 401K Plan

- WMS Gaming, Inc. – Purchase of 12 Video-Standard – G+ Slot Machines w/TITO

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by WRC. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-50)

Chair Urban called on Grand Falls Casino. Sharon Haselhoff, General Manager, presented the following contracts for Commission approval:

- Lamar Companies – Outdoor Advertising
- New Century Press – Printing of Newspaper Inserts
- The Printer, Inc. – Direct Mail Marketing

Ms. Haselhoff stated that Grand Falls does have an outstanding summer concert series planned, and invited everyone to come up. Two of the concerts are Bobby Vinton and Big and Rich.

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Grand Falls. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-51)

Chair Urban called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Mixed Media Group, Inc. – Advertising Agreement for Billboards
- Nesper Sign Advertising, Inc./Watchfire Digital Outdoor – Watchfire Digital Billboard
- University of Iowa Foundation – Gift Pledge Agreement – Kinnick Stadium Club Seats & Suite
- Wells Fargo – Debt Refinancing – Change in End Date
- Wells Fargo – First Amendment to Credit Agreement – Change in End Date
- Wells Fargo – Second Amendment to Credit Agreement – Change in End Date

Chair Urban asked for an explanation with regard to the Wells Fargo items. Mr. Franz explained that the original Request for Transaction Approval (RTA) was submitted in 2008 with an expiration date of March 2012; however, the contract actually expires in 2013. He noted that in reviewing the list of the current RTAs for the property, these contracts caught his eye. Mr. Franz stated that the property actually has another year before they need to refinance their existing loans.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by RCGR. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-52)

Chair Urban called on IOC Bettendorf (IOCB). Ms. Hall presented the following contracts for Commission approval:

- Loffredo – Fresh Produce for Isle Restaurants and Banquets
- JCM American Corporation – Provides UBAs and Plastic Boxes for Slot Machines

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by IOCB. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-53)

Chair Urban called on Rhythm City (RC). Ms. Hall presented the following contracts for Commission approval:

- Sam's Club Direct – Purchase Cigarettes, Food/Candy and Liquor
- Loffredo – Provides Fresh Produce for Restaurants

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by RC. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-54)

Chair Urban moved to the review of the licensees' financial audits. She introduced Andrew Pulford, the Commission's Field Auditor; advising that he reviews the audits upon receipt and prepares all of the financial figures for IRGC.

Chair Urban called on Ameristar. Paul Zak, Director of Finance, was present to answer any questions. Commissioner Seyfer noted that the Council Bluffs property did pretty well within the Ameristar organization compared to other Ameristar properties. Mr. Zak concurred with the statement; advising that the Council Bluffs property did benefit from the strong regional economy.

Hearing no further comments or questions, Chair Urban called on Argosy Casino. As a representative was not readily available, she called on Catfish Bend Casino (CBC). Gary Hoyer, CEO of Great River Entertainment, and Donald Spears, Controller, were present to answer any questions. Mr. Hoyer thanked Chair Urban and Commissioner Rivera for their service on the Commission.

With regard to the financial audit, Mr. Hoyer stated that gaming revenue increased 1.5%, operating income increased by almost 7%, marketing and promotional expenses increased by approximately 3%, and at the parent level, overall revenue improved about 2.5%. Taxes and fees paid to the state, the three cities, two counties, and non-profit organizations were just short of \$11 million. With regard to the upcoming refinancing at the parent level, Mr. Hoyer advised that they have a balloon payment coming up in June that follows the 2007 initial financing with Morgan Stanley. He stated Great River Entertainment has engaged an investment bank, Macquarie Capital, to assist them with the refinancing. Mr. Hoyer advised that the company has been discussing and presenting a variety of options; however, they still have a ways to go before finalizing the refinancing. He stated that he is highly confident they will be successful in getting the necessary refinancing; and would present additional information at the June Commission meeting.

Hearing no comments or questions for Mr. Hoyer, Chair Urban called on Diamond Jo. Mr. Moyer and Kim McDermott, Director of Finance, were available to answer any questions. Mr. Moyer advised that casino revenues were up approximately 1% and DJ employed 353 full-time equivalent team members in 2011. They made distributions to the Dubuque Racing Association (DRA) in the amount of \$3.1 million. Mr. Moyer noted that DRA is going through their grant process now and will make the distributions in May.

Hearing no comments or questions for Mr. Moyer, Chair Urban called on DJW. Mr. Pang and Carrie Stapelkamp, Director of Finance, were present to answer any questions. Mr. Pang advised that gaming revenues increased 8%; and admissions were up by 14%. He stated that DJW continues to draw a significant amount of their business from the Minnesota market even though there is a casino in Minneapolis. Mr. Pang stated there are 309 full-time employees at DJW. DJW paid the non-profit, Worth County Development Authority (WCDA), \$4.7 million in 2011. During the most recent grant process, WCDA distributed just over \$2 million; approximately \$1.2 million went to promote education in Worth County. To date, WCDA has received over \$23 million.

Commissioner Rivera asked what kind of impact the Minneapolis casino has had on business at DJW. Mr. Pang indicated that it has not had a huge impact; they have a strong weekend business from Minneapolis. He indicated that he feels the bigger hurdle is the Minnesota Gaming Association's effort to bring Native American gaming to the area. Mr. Pang stated that 65% of DJW's business comes from Minnesota.

Chair Urban asked if the area was seeing an influx of seniors due to the stipends. Mr. Pang stated that DJW sees a lot of seniors coming to the property due to the good weather, but they are not moving into Worth County. He stated that people are moving to Worth County due to the scholarships given out by WCDA. The amount distributed to the graduating seniors has increased by 10%.

Hearing no further comments or questions for Mr. Pang, Chair Urban called on Harrah's. Ms. Sternberg advised that 2011 was a tough year economically due to the flooding; they had the most damage. Gaming revenues were down between 10-15% as the roads going north and south were closed for an extended period of time. She stated that the property felt they managed the situation well; they were able to remain open. Ms. Sternberg advised that they have done some major improvements to some of the damaged areas and they are off to a good start for 2012. She noted that while the numbers are flat, staying even is a good thing after last year.

Hearing no comments or questions for Ms. Sternberg, Chair Urban called on HGI-Lakeside. Mr. Thursby was available to answer any questions.

As there were no comments or questions for Mr. Thursby, Chair Urban called on Wild Rose Clinton (WRC). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, provided information for both WRC and Wild Rose Emmetsburg (WR Emmetsburg). He advised that both properties had record gaming revenues for 2011; WRC's revenue was up approximately 1% while WR Emmetsburg was up about 8.75%. Mr. Timmons stated that due to the increased revenues, the non-profit organization in Clinton received about \$1.6 million, while the Emmetsburg group received \$1.9 million.

Commissioner Seyfer stated there were a few deficiencies noted in the audit, and asked if they had been remedied. Mr. Timmons advised that they were addressed prior to the letter being issued.

Hearing no further comments or questions for Mr. Timmons, Chair Urban called on RCGR. Mr. Franz and Karlyn Ollendick, Chief Information/Compliance Officer, were present to answer any questions. Mr. Franz stated that RCGR celebrated their five-year anniversary and it was one of their best years. Revenues were up 5% overall, and they had record revenue of just over \$109 million. They broke monthly revenue records six out of the twelve months; in July they had over \$10 million in revenue. Mr. Franz advised that gaming revenue increased 5% year over year; non-gaming revenue was on par with that as well. He stated that food and beverage revenue was almost \$11 million. He advised that when RCGR was in the planning stages, food and beverage revenue was estimated at less than \$5 million. Mr. Franz stated that the revenue from entertainment has bounced back from 2010, and was up 28%. He noted that 2011 was really the first normal year for the golf course since it opened in 2007. The course flooded in 2008, 2009 was spent trying to recover, 2010 was spent trying to figure out where to place new holes, and in 2011 four new holes were built away from the river. The golf course was able to operate most of the year with 18 holes. Mr. Franz advised that RCGR was named the PGA Merchandiser of the Year for the third time in four years; and revenue from the performance studio was up 50%. All of the above resulted in an EBITDA increase of \$2.3 million from 2010, up to \$26.4 million. RCGR was able to reduce their debt by \$12 million during the year; they have reduced the total debt from \$100 million to \$58 million during the five years of operation. The non-profit received \$3.4 million in 2011, and has received \$17.1 million overall. Mr. Franz stated that RCGR employs 717, and over 200

of them celebrated their 5-year anniversary with the property. He noted that almost 30% have been there from the beginning.

Hearing no comments or questions for Mr. Franz, Chair Urban called on GFCR. Ms. Haselhoff and Ms. Ollendick were present to answer any questions. Ms. Haselhoff noted that 2011 was an exciting year for the property: the completion of construction during the winter months; the hiring of senior-level directors in January and February, opening of the table games school in March; job fairs in April, and the hiring of over 500 employees as they geared up for the opening. She advised that the grand opening was held on June 9th; everything was complete except for the outdoor swimming pool, which was completed a month later. Ms. Haselhoff noted that the \$120 million facility was built in less than one year.

Ms. Haselhoff advised that GFCR is owned by the Lyon County Casino Resort, which owns the assets and is responsible for the liabilities of the business. The business is owned by 459 unit holders representing approximately 750 Iowans. She noted that the numbers provided in the audit reflect just under seven months of operation: gross revenue was \$38.7 million, or \$32.6 million in gaming revenue, \$4.2 million in hotel revenue, \$4 million in food and beverage and \$875,000 in retail from the retail, spa and entertainment venues. Ms. Haselhoff reported that revenues have continued to increase during the first quarter in 2012. She stated that cost of sales for 2011 was \$2.5 million, or \$1.8 million in food and beverage, and \$693,000 in retail and entertainment. Expenses totaled \$34.8 million; \$9.7 million went to payroll, payroll taxes, and benefits; \$2.5 million went to marketing and marketing promotions, the City of Larchwood received \$152,000 in gaming taxes, Lyon County received \$520,000 in gaming taxes, fees, and property taxes, \$6.9 million to the State of Iowa, and \$1.2 million to the Lyon County Riverboat Foundation. Ms. Haselhoff advised that the result of the operation was a \$4.7 million net income loss. As they were able to take advantage of a prorated accelerated depreciation, their cash revenue and EBITDA was \$8.4 million for the seven month period.

Commissioner Rivera noted that Ms. Haselhoff indicated they had 500 employees when the facility opened. She asked if they retained that number after the opening. Ms. Haselhoff stated they had approximately 600 employees at the time the facility opened, but the number is now around 500. Commissioner Rivera asked if they were part-time or full-time. Ms. Haselhoff advised that they are full-time positions.

Chair Urban asked if the 450 equity owners have been invited to the casino, or if they have come. Ms. Haselhoff stated they were all invited to the grand opening; they had an investor meeting last October, and another annual investor meeting is scheduled for June.

Hearing no further comments or questions for Ms. Haselhoff, Chair Urban called on Horseshoe Casino/Bluffs Run Greyhound Park. Ms. Sternberg advised that Horseshoe was not impacted by the flood like the Harrah's property. They used their national database to reach out to some of their VIP players and invited them to the property to experience the many amenities in the area. Ms. Sternberg stated that Horseshoe

experienced some of the best year over year months, and they were pleased with the results.

Hearing no comments or questions for Ms. Sternberg, Chair Urban called on the Iowa West Racing Association (IWRA). Jerry Mathiasen, Associate Executive Director, introduced Tim Miller and Jackie Dix, the Finance Director and Assistant respectively for IWRA. Mr. Mathiasen directed the Commissioners to page 3 of the audit which shows the amount of money that IWRA received in contract fees from Ameristar and Harrah's. He noted that the amount is status quo, and was down slightly in 2011 from 2010. However, for the first three months of 2012, revenues are up slightly. Mr. Mathiasen advised that the money received by IWRA is granted to a private charitable foundation, the Iowa West Foundation which then distributes the funds via grants throughout the area.

Hearing no comments or questions for Mr. Mathiasen, Chair Urban called on the Dubuque Racing Association (DRA). Mr. Hoeger reported that EBITDA compared favorably to the prior year when distributions are taken into account. He noted that Mr. Ohorilko had inquired as to the percentage of adjusted gross receipts that are paid out to the charitable organizations and the City of Dubuque; he indicated that it is approximately 6.9%. Mr. Hoeger advised that Diamond Jo contributes about 4.5% of their adjusted gross receipts to DRA.

Hearing no comments or questions for Mr. Hoeger, Chair Urban called on PMR&C. Mr. Wessels stated that casino revenues were up approximately 2.3%; the State of Iowa received \$45.1 million, and Polk County received \$28.4 million, which includes the lease payments, contributions and gaming taxes. The following communities/entities also received funds: City of Altoona - \$1 million, Des Moines - \$4.1 million, and Polk City School District - \$700,000. Mr. Wessels advised that charitable contributions were \$5.9 million; and salaries, wages and benefits totaled \$56.2 million.

Hearing no comments or questions for Mr. Wessels, Chair Urban called on Argosy Casino Sioux City. Mr. George noted that the facility was impacted by the flooding in 2011, and the opening of Grand Falls. He indicated they have had a difficult time trying to determine the actual impact that Grand Falls has had on their operation. Mr. George advised they are encouraged by the numbers for the first quarter.

Hearing no comments or questions for Mr. George, Chair Urban moved to the approval of the distribution of the Horse Racing Promotion Fund. She noted that three different entities had applied for the funds: Legacy Harness Horse Foundation, Iowa Thoroughbred Breeders and Owners Association and the Iowa Quarter Horse Racing Association. The amount available for distribution is \$3,124.74. Chair Urban requested a motion.

Commissioner Seyfer moved to distribute the funds equally among the Legacy Harness Horse Foundation, Iowa Thoroughbred Breeders and Owners Association and the Iowa

Quarter Horse Racing Association. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-55)

Chair Urban moved to the hearings for Isle of Capri Waterloo for violation of Iowa Code §99F.9(7) (Credit) and 491 Iowa Administrative Code 11.2(2)“h”, 11.4(5) and 11.9(3). She noted that both had been resolved by Stipulated Agreement. Ms. Hall was available to address any questions the Commission might have.

Mr. Ohorilko provided the following summary with regard to the first Stipulated Agreement: On November 3, 2011, at 1:34 AM a patron approached the bar and purchased an alcoholic beverage for \$3.75. The attendant processed the patron’s credit card for \$113.75; surveillance tapes showed the bartender returning \$100 in cash to the patron. Three minutes later the patron bought into a blackjack table for \$100, and played several hands of blackjack. At 2:21 AM, the same patron approached the same attendant and purchased another alcoholic beverage for \$3.75. The attendant processed the credit card transaction for \$113.75, returning \$100 cash to the patron. The patron then bought into a roulette table for \$100 and placed several bets. On November 4, 2011, a Revenue Auditor found the transactions as part of the daily audit of credit card transactions and reported it to the Surveillance Department for further review. No similar transactions have been noted by the Revenue Audit prior to or after this incident. On or about November 4, 2011, IOC Waterloo notified Commission representatives about the bartender who provided the cash. IOC Waterloo acknowledges that the above-mentioned facts constitute a violation of Iowa Code §99F.9(7), and has agreed to pay an administrative penalty in the amount of \$10,000. Mr. Ohorilko recommended approval of the Stipulated Agreement

Chair Urban noted that the above is a unique situation; one that the Commission has not dealt with previously. Ms. Hall concurred, and noted that it was an isolated incident. She advised that the bartender has been dismissed due to the violation, and staff has been provided with additional training.

Hearing no further comments or questions concerning the Stipulated Agreement, Chair Urban requested a motion. Commissioner Heinrich moved to approve the Stipulated Agreement and administrative penalty of \$10,000. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-56)

Mr. Ohorilko provided the following summary with regard to the second Stipulated Agreement: On October 5, 2011, Commission staff was notified that a bonus jackpot of \$98,371.99 had been displayed on a machine as the amount won by a patron playing on that machine. Commission staff discovered that the jackpot was displayed on a machine that was put in play without all of the required testing being completed. The facility did not pay the jackpot at that time because they believed the machine was not configured to pay the amount displayed and the possibility that a malfunction had occurred. On October 12, 2011, Commission staff removed the required components from the slot machine and shipped them to Gaming Laboratories, Inc. (GLI) for a forensic

investigation. GLI concluded that the slot machine had not malfunctioned; rather that the amount displayed on the machine was due to the machine being incorrectly configured. This particular slot machine was available for play from 3:53 PM until 6:45 PM on October 5, 2011. On or about December 21, 2011, IOC Waterloo representatives informed Commission staff that the facility would be paying the \$98,371.99 to the patron. IOC Waterloo acknowledges that the above-mentioned facts constitute a violation of 491 Iowa Administrative Code 11.2(2)“h”, 11.4(5) and 11.9(3). Further, IOC Waterloo further agrees that they will not deduct the \$98,371.99 from gross receipts for the purposes of gaming tax. The Commission acknowledges that IOC Waterloo made full payment of the amount displayed on the slot machine to the patron involved; therefore, the Commission will forgo any administrative penalty. Mr. Ohorilko recommended approval of the Stipulated Agreement.

Chair Urban noted that the above was another unique situation for the Commission. She stated that IOC Waterloo did the right thing in paying the patron. Hearing no further comments or questions concerning the Stipulated Agreement, Chair Urban requested a motion. Commissioner Rivera moved to approve the Stipulated Agreement as presented. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 12-57)

Chair Urban moved to Public Comment, and called on Wes Ehrecke, President of the Iowa Gaming Association (IGA). Mr. Ehrecke, on behalf of the 18 member casinos, thanked Chair Urban and Commissioner Rivera for their dedication and commitment and taking the time to understand the multi-faceted gaming industry. He noted the vast amount of reading required and information to absorb. Mr. Ehrecke pointed out that they took their responsibilities seriously to uphold the integrity of gaming and put the necessary standards in place. The IGA presented each with a beautiful floral arrangement for a job well done.

Chair Urban stated that it was a pleasure to serve on the Commission. Commissioner Rivera concurred.

As there was no Administrative Business to come before the Commission, Chair Urban requested a motion to adjourn. Commissioner Rivera so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK